

## DEBT MANAGEMENT PROGRAM

### OUTSTANDING DEBT

As of June 30, 2000, the City of Salisbury will have \$44,901,598 in outstanding debt for all funds. The type of debt and the breakdown between funds are shown below:

General Fund:	
General obligation bonds	\$ 3,225,000
Capital leases	<u>2,505,207</u>
	<u>\$ 5,730,207</u>
Water and Sewer Fund:	
General obligation bonds	\$ 18,645,000
Revenue bonds	1,905,000
Capital leases	3,008,789
State Clean Water Revolving Loans	<u>16,832,602</u>
	<u>\$ 39,171,391</u>
Total	<u>\$ 44,901,598</u>

#### General Fund

The City has lease agreements to finance the acquisition of various equipment. These agreements qualified as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, were recorded at the present value of the future minimum lease payments as of the date of their inception. These lease agreements are outlined as follows:

Lease for capital improvements and acquisition of facilities from Wachovia Bank of North Carolina, dated December 1, 1996, payable in fourteen semi-annual installments of \$149,222.75 at an effective annual interest rate of 4.91%.

Lease for capital building improvements from BB&T, dated December 29, 1999, payable in twenty semi-annual installments of \$63,331.96 at an effective annual interest rate of 4.73%.

Lease for fire truck from First Union Bank, dated June 29, 2000, payable in eight semi-annual installments estimated at \$83,447.92 with an effective annual interest rate of 5.20%.

The construction and improvements to facilities funded by Wachovia Bank of North Carolina and BB&T are nearly complete. They will be recorded at their construction cost upon completion. The fire truck, funded by First Union Bank, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

In January 1992, the City issued \$250,000 general obligation bonds. Seventy-five thousand dollars of the bonds were for improvements of parks and recreation, while the balance of \$175,000 was designated for sidewalk and parking facilities. These bonds were issued at an average rate of 6.0982%, maturing serially to 2002.

The City issued \$373,000 general obligation bonds in November 1993. These bonds were designated for improvements to downtown parking facilities in the amount of \$273,000, while the balance of \$100,000 was for construction of recreation facilities. These bonds were issued at an average interest rate of 4.846%, maturing serially to 2004.

In November 1995, the City issued \$355,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 5.2756%, maturing serially to 2006.

In December 1997, the City issued \$3,000,000 general obligation bonds for parks and recreational improvements. These bonds were issued at an average rate of 4.79%, maturing serially to 2017.

Future maturities and interest on General Fund long-term debt are:

<b>Year Ending June 30,</b>	<b>General Obligation Bonds</b>		<b>Capital Leases</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2001	200,000	156,125	474,820	117,186	674,820	273,311
2002	200,000	146,093	498,677	93,328	698,677	239,421
2003	180,000	136,020	523,735	68,271	703,735	204,291
2004	180,000	127,210	400,830	41,952	580,830	169,162
2005	200,000	118,400	99,104	27,560	299,104	145,960
2006	190,000	108,650	103,847	22,817	293,847	131,467
2007	200,000	99,550	108,817	17,847	308,817	117,397
2008	200,000	90,050	114,025	12,639	314,025	102,689
2009	200,000	80,550	119,482	7,182	319,482	87,732
2010	200,000	70,950	61,869	1,463	261,869	72,413
2011	200,000	61,350	-	-	200,000	61,350
2012	200,000	51,750	-	-	200,000	51,750
2013	200,000	42,150	-	-	200,000	42,150
2014	200,000	32,550	-	-	200,000	32,550
2015	200,000	22,950	-	-	200,000	22,950
2016	200,000	13,350	-	-	200,000	13,350
2017	75,000	3,750	-	-	75,000	3,750
Totals	<u>\$ 3,225,000</u>	<u>\$ 1,361,448</u>	<u>\$ 2,505,207</u>	<u>\$ 410,243</u>	<u>\$ 5,730,207</u>	<u>\$ 1,771,691</u>

#### Water and Sewer Fund

Long-term debt of the Water and Sewer Fund include the following general obligation and revenue bond issues:

	<b>Balance June 30, 2000</b>
Sanitary Sewer Series 1989, average rate of 6.5245%, issued July 1989, maturing serially to 2008	\$ 775,000
Sanitary Sewer Series 1992, average rate of 6.0982%, issued January 1992, maturing serially to 2011	700,000
Refunding Series 1993, average rate of 4.1860%, issued November 1993, maturing serially to 2008	2,270,000
Water and Sanitary Sewer Series 1995, average rate of 5.2756%, issued November 1995, maturing serially to 2015	11,450,000
Water Bonds Series 1997, average rate of 4.79%, issued December 1997, maturing serially to 2008	550,000
Combined Enterprise Revenue Series 1998A, average rate of 4.87%, issued January 1998, maturing serially to 2018	1,905,000
Water Bonds Series 1998, average rate of 4.4%, issued June 1998, maturing serially to 2017	<u>2,900,000</u>
	<u>\$20,550,000</u>

The general obligation bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the full faith, credit, and taxing power of

the City. The combined enterprise revenue bonds were issued to finance the construction of facilities utilized in the operations of the water and sewer systems and are being retired by the resources of the Water and Sewer Fund. These bonds bear interest, payable semiannually, and are collateralized by the receipts of only the Water and Sewer Fund.

The City refunded a portion of the Sanitary Sewer Series 1988 bonds in November 1993. These bonds were refunded at an average interest rate of 4.1860%, which produced a net interest cost savings of \$174,748.

During the fiscal year ended June 30, 1998, the City entered into agreements to lease certain water and sewer distribution systems. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Interest rates on these agreements range from 3.385% to 4.5%. The City has recorded water and sewer assets related to these leases at their fair market value of \$3,802,476. The future minimum lease payments total \$4,168,212, including \$960,624 of interest. The leases expire in 2006 and 2016 at which time the City will take ownership of the related assets.

In addition to this debt, the City also owes the State of North Carolina for debt issued through its Clean Water Revolving Loan program. Total Clean Water Debt is composed of the following four loans:

	<b>Balance June 30, 2000</b>
Clean Water Loan for Sewer purposes, average rate of 5.03%, issued July 1989, maturing serially to 2017	\$ 4,250,000
Clean Water Loan for Water purposes, average rate of 5.03%, issued January 1992, maturing serially to 2017	382,602
Clean Water Loan for Sewer purposes, average rate of 2.60%, issued June 1998, maturing serially to 2017	9,200,000
Clean Water Loan for Water purposes, average rate of 2.60%, issued January 1999, maturing serially to 2017	<u>\$3,000,000</u>
	<u><b>\$16,832,602</b></u>

Future maturities and interest of Water and Sewer Fund for all types of long-term debt are:

Year	General Obligation Bonds		Revenue Bonds		Clean Water Bonds		Capital Leases		Total	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 1,285,000	\$ 946,815	\$ 70,000	\$ 92,774	\$ 882,506	\$ 499,160	\$ 199,799	\$ 103,141	\$ 2,437,305	\$ 1,641,889
2002	1,280,000	883,058	70,000	89,365	882,506	532,425	199,799	96,166	2,432,305	1,601,013
2003	1,275,000	819,510	75,000	85,956	882,506	502,122	200,799	89,191	2,433,305	1,496,779
2004	1,270,000	756,173	80,000	82,303	882,506	471,819	200,799	82,171	2,433,305	1,392,466
2005	1,275,000	693,045	85,000	78,407	882,506	441,517	200,799	75,151	2,443,305	1,288,119
2006	1,275,000	629,603	90,000	74,268	882,506	411,214	198,799	68,131	2,446,305	1,183,214
2007	1,270,000	565,955	90,000	69,885	882,506	380,911	180,799	61,201	2,423,305	1,077,951
2008	1,215,000	502,518	95,000	65,502	882,506	350,608	180,799	55,081	2,373,305	973,708
2009	1,175,000	438,900	100,000	60,875	882,506	320,305	180,799	48,960	2,338,305	869,041
2010	1,175,000	377,850	105,000	56,005	882,506	290,003	180,799	42,840	2,343,305	766,698
2011	1,175,000	316,800	110,000	50,892	882,506	259,700	180,799	36,720	2,348,305	664,112
2012	1,175,000	255,700	115,000	45,535	882,506	229,397	180,799	30,600	2,353,305	561,232
2013	1,175,000	195,000	120,000	39,934	882,506	199,094	180,799	30,600	2,358,305	464,628
2014	1,175,000	134,625	125,000	34,090	882,506	168,791	180,799	18,360	2,363,305	355,866
2015	1,175,000	73,250	135,000	28,003	882,506	138,488	180,799	12,240	2,373,305	251,981
2016	175,000	12,375	140,000	21,428	882,506	108,186	180,799	6,120	1,378,305	148,109
2017	100,000	4,500	145,000	14,610	882,506	77,883	-	-	1,127,506	96,993
2018	-	-	155,000	7,549	610,000	47,580	-	-	765,000	55,129
2019	-	-	-	-	610,000	31,720	-	-	-	-
2020	-	-	-	-	610,000	15,860	-	-	-	-
Totals	<u>\$ 18,645,000</u>	<u>\$ 7,605,675</u>	<u>\$ 1,905,000</u>	<u>\$ 997,376</u>	<u>\$ 16,832,602</u>	<u>\$ 5,476,783</u>	<u>\$ 3,008,789</u>	<u>\$ 856,673</u>	<u>\$ 39,171,391</u>	<u>\$ 14,888,927</u>

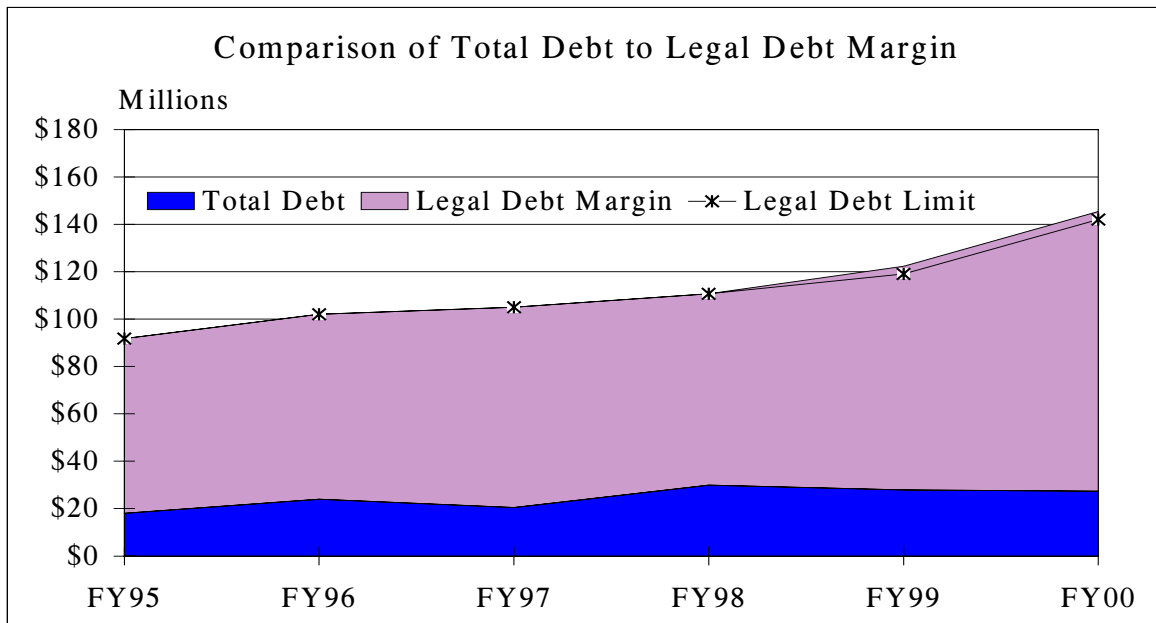
## PROPOSED DEBT

Currently, the City of Salisbury intends to secure a \$1,000,000 capital lease to construct restroom and concession facilities at the new Community Park, as well as install shelters and playstructures. The lease proceeds will also be used to renovate one of the neighborhood community centers. This lease is anticipated to be issued approximately mid-year.

In addition to these bonds, the City has been approved for a loan from the North Carolina's Revolving Loan Pool and is in the amount of \$3,000,000 to fund water improvements. The debt service requirements have been included in the Water and Sewer Fund's debt service.

## LEGAL DEBT MARGIN

As shown, the City has maintained an ample legal debt margin. This margin is based on a debt limit of eight percent of assessed valuation less total debt as required by North Carolina General Statutes. The margin allows for the incurring of proposed debt to finance the needed water and sewer infrastructure projects as outlined in Section X - CAPITAL IMPROVEMENT PROGRAM. Furthermore, the City complies with the Debt Management Policy as defined on page 2-4.



### Computation of Legal Debt Margin at June 30, 2000

Debt limit: Assessed value of \$1,773,953,935 x 8% \$ 141,916,315

Amount of debt applicable to debt limit:

Total bonded debt	\$	21,870,000
Total capitalized lease obligation		5,513,996
Total outstanding debt	\$	27,383,996

Less:

Deductions allowed for water bonds issued		3,450,000
Total amount of debt applicable to debt limit		23,933,996

**LEGAL DEBT MARGIN** **\$ 117,982,319**

## DIRECT AND OVERLAPPING DEBT<sup>(1)</sup>

The table below shows the computation of direct and overlapping debt from the City and Rowan County. These amounts are as of June 30, 1999.

	<b>Net General Obligation Debt <u>Outstanding</u></b>	<b>Percentage Applicable to City of <u>Salisbury</u></b>	<b>City of Salisbury's <u>Share of Debt</u></b>
City of Salisbury	\$ 3,425,000	100.00%	\$ 3,425,000
Rowan County <sup>(2)</sup>	36,750,000	24.73%	<u>9,088,275</u>
Total direct and overlapping debt			<u><u>\$ 12,513,275</u></u>

<sup>(1)</sup> Based on assessed valuation.

<sup>(2)</sup> Net debt and assessed valuation figures provided by Rowan County

